



Agenda Item 3d

May 17, 2011

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. SUBJECT:** 2011-2012 Performance Plans for the Chief Investment Officer, Chief Operating Investment Officer, Senior Investment Officers, Senior Portfolio Managers and Portfolio Managers (First Reading)
- II. PROGRAM:** Administration
- III. RECOMMENDATIONS:** Recommend the Board Approve the First Reading of the Performance Plans for the Chief Investment Officer, Chief Operating Investment Officer, Senior Investment Officers, Senior Portfolio Managers and Portfolio Managers
- IV. ANALYSIS:**

The Board of Administration's Compensation Policies and Procedures include a schedule for approving performance plans for the coming fiscal year. The performance measures which comprise the plans are either quantitative (performance against specified quantifiable standards) or qualitative (related to level of achievement on non-quantifiable key objectives).

The 2011-12 performance plans for the Chief Investment Officer, Chief Operating Investment Officer, Senior Investment Officers, Senior Portfolio Managers and Portfolio Managers are presented with this item for first reading.

Quantitative Measures

In June 2010, the Committee approved a revision to the Executive Compensation policy which adopted a rolling three-year measurement period for the Total Fund quantitative measure, effective in Fiscal Year 2010-11. The 2010-11 plans incorporated new Total Fund, asset class and portfolio level performance targets, utilizing a three-year phased-in approach developed in conjunction with Wilshire Consulting. The 2011-12 plans represent the second year of the approved phased-in schedule for those performance targets.

Alternate Asset Classification (AAC)

In December 2010, the Investment Committee approved a new asset reclassification to include: Growth, Income, Real Assets, Inflation, and Liquidity. Subsequently, a review of investment benchmarks of the asset classes and total fund portfolio was conducted, and recommended changes were presented to and approved by the Investment Committee in April 2011. The reclassification and benchmark changes are effective in July 2011.

The impacted 2011-12 plans were modified to reflect the approved changes, with key highlights displayed below. Some plan refinements, including incentive schedules and benchmarks, are still underway and will be finalized prior to the second reading of the performance plans in June 2011.

AAC	Asset Class	Change	Comment
Growth	AIM (Private Equity)	Moved to a Global Public Markets-based Benchmark to better align with Global Equity and Total Fund Policy benchmark	Incentive Schedule will be reflected in 2 nd reading
Real	Infrastructure	Benchmark changed from CPI + 5% to CPI	Transferred from Inflation-Linked to Real
Real	Forestland	Benchmark changed to NCREIF Timberland, lagged one quarter	Transferred from Inflation-Linked to Real
Real	Real Estate	Strategic and Legacy Portfolio performance factors added	Composite/Benchmark will be reflected in 2 nd reading
Real	Infrastructure Forestland Real Estate	Real Assets performance factor added	Composite/Benchmark will be reflected in 2 nd reading

Qualitative Measures

Each plan has a qualitative objective that incorporates leadership, management, team and individual performance measures. The objective language and weighting is consistently applied to each plan. This shared qualitative objective includes measures aligned with the CalPERS enterprise-wide Leadership and Management drivers, as well as Investment Office Leadership and Management drivers that focus on the support of the vision and values of the organization, staff coaching and feedback, and participation in Investment Office priorities aimed at improving processes and performance, such as the Investment Office Roadmap.

The qualitative performance measures of the Chief Investment Officer reflect these priorities, and are in alignment with the Executive Leadership and Management Drivers (Attachment 1) performance measures of the other Board direct reports.

Investment Consultant Review

In accordance with the Compensation Policies and Procedures a review of the quantitative measures in the performance plans by the Board's investment consultants has been conducted. A review of the first reading plans has been conducted by Wilshire Consulting and their preliminary opinion letter is attached (Attachment 2). Upon completion of all outstanding components listed above, the investment consultants will conduct a final review and provide opinion letters which will be included with the second reading of the performance plans in June 2011.

V. STRATEGIC PLAN:

Under Goal III of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

MICHAEL A. WILLIHNGANZ, Chief
Human Resources Division

STEPHEN W. KESSLER
Deputy Executive Officer
Operations and Technology

Attachments

**2011-2012 Performance Plans
for the Chief Investment Officer, Chief Operating Investment Officer, Senior
Investment Officers, Senior Portfolio Managers and Portfolio Managers**

Performance plans for the 2011-2012 Fiscal Year for the Chief Investment Officer, Chief Operating Investment Officer, Senior Investment Officers, Senior Portfolio Managers and Portfolio Managers are presented for first reading on the following pages:

Position	Incumbent
Chief Investment Officer	Joe Dear
Chief Operating Investment Officer	Janine Guillot
Sr. Investment Officer, Asset Allocation & Risk Management	Farouki Majeed
Sr. Investment Officer, Fixed Income	Curtis Ishii
Sr. Investment Officer, Global Equity	Eric Baggesen
Sr. Investment Officer, Real Assets	Ted Eliopoulos
Sr. Portfolio Manager, Alternative Investments	Sarah Corr
Sr. Portfolio Manager, Asset Allocation & Risk Management	Richard Roth
Sr. Portfolio Manager, Fixed Income	Tom McDonagh
Sr. Portfolio Manager, Fixed Income	Kevin Winter
Sr. Portfolio Manager, Fixed Income / Structure	Arnie Phillips
Sr. Portfolio Manager, Global Equity / Corporate Governance	Anne Simpson
Sr. Portfolio Manager, Global Equity / External	Kurt Silberstein
Sr. Portfolio Manager, Global Equity / Internal	Dan Bienvenue
Sr. Portfolio Manager, Real Assets	Randall Mullan
Sr. Portfolio Manager, Real Assets	Randy Pottle
Portfolio Manager, Affiliate Investment Programs	Geraldine Jimenez
Portfolio Manager, Alternative Investments	Jesus Arguelles
Portfolio Manager, Alternative Investments	Tom Baker
Portfolio Manager, Alternative Investments	John Greenwood
Portfolio Manager, Alternative Investments	Scott Jacobsen
Portfolio Manager, Alternative Investments	Dennis Knueven
Portfolio Manager, Asset Allocation & Risk Management	Lorne Johnson
Portfolio Manager, Asset Allocation & Risk Management	Ray Venner
Portfolio Manager, Fixed Income	Michael Claybar

Performance and Compensation Committee
May 17, 2011

Position

Portfolio Manager, Fixed Income
Portfolio Manager, Fixed Income
Portfolio Manager, Fixed Income
Portfolio Manager, Fixed Income / Currency & International
Portfolio Manager, Fixed Income / Domestic Research
Portfolio Manager, Fixed Income / International Research
Portfolio Manager, Fixed Income / Opportunistic
Portfolio Manager, Fixed Income / Short Duration
Portfolio Manager, Global Equity
Portfolio Manager, Global Equity
Portfolio Manager, Global Equity
Portfolio Manager, Global Equity
Portfolio Manager, Global Equity / Corporate Governance
Portfolio Manager, Global Equity / External
Portfolio Manager, Global Equity / Internal
Portfolio Manager, Global Equity / Passive
Portfolio Manager, Global Equity / Quantitative Strategies
Portfolio Manager, Operations, Performance & Technology
Portfolio Manager, Real Assets
Portfolio Manager, Real Assets
Portfolio Manager, Real Assets
Portfolio Manager, Real Assets
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Portfolio Manager, Real Assets
Portfolio Manager, Real Assets
Portfolio Manager, Real Assets
Portfolio Manager, Real Assets

Incumbent

Jim Kourkoulakos
Michael Rosborough
Todd Smith
Eric Busay
Lou Zahorak
Ben Meng
Dan Kiefer
Jean Hsu
Steve Carden
Craig Dandurand
Tim Misik
Michael Riffle
Bill McGrew
Derek Hayamizu
Don Pontes
Carl Guidi
Ho Ho
Matt Flynn
Judy Alexander
Jane Delfendahl
Robert Eberhardt
Christine Gogan
James Hurley
Robert Langhi
Todd Lapenna
Laurie Weir
Christine Yokan